moffat communications limited
annual report 1976

DIRECTORS

Gary T. Brazzell
F. Newton Hughes
J. Blair MacAulay
Donald J. McDonald
J. Ronald Mitchell
Randall L. Moffat
Donna M. Pryor
James M. Pryor
Bennet R. Wong, M.D.

OFFICERS

THE COMPANY

Randall L. Moffat	Chairman of the Board
J. Ronald Mitchell	President
Gary T. Brazzell	Secretary
William A. Davis	Vice-President – Finance and Treasurer
Alden E. Diehl	Vice-President and General Manager, CKY Radio Division, Winnipeg
Donald M. E. Hamilton	Vice-President and General Manager, CKLG Division, Vancouver
Thomas E. McBride	Vice-President and General Manager, CKXL and CHFM-FM Division, Calgary
Vernon L. Traill	Vice-President and General Manager, CHAB Division, Moose Jaw
Keith P. James	Vice-President – Program Development and Research

SUBSIDIARY AND AFFILIATE COMPANIES

J. Sidney Boyling	Vice-President and General Manager, Winnipeg Videon Limited, Winnipeg
Murray M. Forbes	Vice-President and General Manager, Radio Station CHED Ltd., Edmonton
James S. Purvis	Vice-President and General Manager, MTV Limited, (CKY-TV) Winnipeg
Philip W. Reimer	President, Media Tours Limited, Winnipeg

BANK

Canadian Imperial Bank of Commerce

TRANSFER AGENT

Canada Permanent Trust Company

AUDITORS

Deloitte, Haskins & Sells, Chartered Accountants

CORPORATE OFFICE

CKY Building, Polo Park, Winnipeg R3G 0L7

Combined five year review

YEARS ENDED AUGUST 31

	1976	1975	1974	1973	1972
INCOME (000)					
Revenues	$16,971	$14,962	$12,828	$10,523	$ 9,365
Operating Profit (1)	6,183	5,399	4,669	3,594	3,199
Operating Profit Margin	36.4%	36.1%	36.4%	34.2%	34.2%
Net Income	2,355	1,875	1,560	1,199	883
Net Income Profit Margin	13.9%	12.5%	12.2%	11.4%	9.4%
Cash Flow (2)	3,715	3,275	3,167	2,442	1,591
Dividends	382	266	240	180	30
BALANCE SHEET (000)					
Capital Expenditures	$1,764	$1,981	$1,435	$1,100	$801
Working Capital	1,971	1,027	304	47	(234)
Shareholders' Equity	10,101	8,128	6,519	5,199	4,240
Return on Average Shareholders' Equity	25.8%	25.6%	26.6%	25.6%	22.7%
ON A PER SHARE BASIS					
Net Income	$1.57	$1.25	$1.04	80.0¢	58.9¢
Dividends - Class A (B = 85% of A)	26¢	20¢	16¢	12¢	3¢
Cash Flow	2.48	2.18	2.11	1.63	1.06
Book Value	6.73	5.42	4.35	3.47	2.79

(1) Operating Profit — revenues less operating expenses.

(2) Cash Flow — Net income, depreciation and amortization and deferred income taxes less excess of net income of affiliates over dividends received.

Report to the shareholders

"To provide the best service to the general public in such an efficient manner that the Company will show a satisfactory profit and those availing themselves of our service will receive value and in such a competent manner that we will gain the respect of our employees, our communities, the industry and our regulators."

This objective, established to optimize the long term value of the Company to its shareholders, its employees and to society has been the basis of determining our corporate policies.

Naturally, profits are the ultimate measurement of efficient corporate performance. Profits enable the Company to provide the highest possible level of service, to reward both shareholders and employees, and to provide the earnings for continued investment in facilities.

Ours is essentially a service business. As broadcasters, our programming must attract the interest of a loyal, affectionate and viable audience in each of the communities we serve. In providing cable service, we must ensure that subscribers derive the full benefit of efficient service and modern technological improvement. Travellers must find imaginative solutions coupled with cost efficiency and a full range of service. Sponsors must obtain results, in the form of increased sales of their products or services, from advertising campaigns.

When all of these areas of service are functioning satisfactorily, our shareholders benefit in terms of dividends and potential stock price appreciation. Although share prices also reflect the uncertainty surrounding both the general economic outlook and the broadcast regulatory climate existing at any given time, we believe our earnings record satisfies shareholder criteria and will enable us to attract additional capital as the need arises.

Our dividend policy reflects not only the need for significant amounts of money to be spent on the improvement of facilities and the extension of service, but also the needs of shareholders for income distribution. Our policy contemplates paying dividends at the rate of not less than 20% nor more than 40% of the net income earned in the previous fiscal year. As in 1976, dividend payments in 1977 will be limited to an amount equal to the recommendation of the Anti-Inflation Board which falls within the parameter referred to previously.

The net income for the year ended August 31, 1976 of $2,355,000 ($1.57 per share) represents an increase of 25.6% over the 1975 fiscal year and an increase of 167% over the 1972 fiscal year.

In keeping with long-term plans for the extension of service and improvement of quality, production capability, and efficiency, capital expenditures totalled $1,764,000 during the year.

Dividends paid during the year totalled 26¢ per Class A share and 22.1¢ (tax-paid) per Class B share; an improvement over dividends paid in the previous year of 30%.

With the inseparable objectives of satisfactory shareholder returns and community service in mind, the Company attempts to monitor its performance against the standards described above. Financial results are easily measured against established budgets. In the sections that follow, we outline

how we have achieved recognition and gauge our performance in less readily measurable areas.

Each Spring we review the financial results to date against our five-year projections and re-evaluate and adjust past assumptions from input based upon current information and circumstances. The relative ratings position for each broadcast licensee is also examined closely. We review our plans with particular attention being paid to marketing and programming strategies, bearing in mind that we fully intend to maintain our growth record.

Finally, we adjust, as required, the financial results projected for each of the succeeding four years and add our estimates for the fifth year. Included in these projected results are estimates of amounts that will be spent to purchase new equipment. Historically, we have anticipated the effect of most situations and in total, have attained or surpassed the projected operating results while at the same time achieving the other aspects of our corporate objective.

Development of Company personnel is essential if we are to make the most of future opportunities. By providing challenging jobs and good working conditions, we know we can attract and hold the best people available. To this end, we recognize fully the importance of good staff relations. Regularly, we hold meetings of Sales Managers, Program Managers, Technical Directors and Controllers to discuss problem areas and exchange new techniques and ideas.

We provide our staff with comprehensive life, accident, disability, health and dental insurance protection as well as a pension plan. Over the years, we have devoted a great deal of attention to providing facilities conducive to stimulating the creative output of our staff. These benefits and efforts are only a part of the on-going process of personnel development. We are constantly researching and studying trends in order that we will be prepared to adapt to the changing needs of the society in which we live.

Your Company recognized early in its development that the essential ingredient to success in our radio, television and cable operations is quality programming geared to and appropriate to a particular community marketplace. In view of Canadian content requirements, we further recognized that our future growth depended upon the development of Canadian talent. Our Canadian talent development program not only provides a foundation for future profit opportunity, but also tends to ensure that future new and renewal applications will be based in part upon our accomplishments in the area of talent development and accordingly, viewed favourably by the regulatory authorities.

As the quality of service in all areas of our business improves, the Company increasingly satisfies the requirements demanded by both our marketplace communities and the regulatory authorities, thereby assuring positive response to future plans for expansion which may be contemplated.

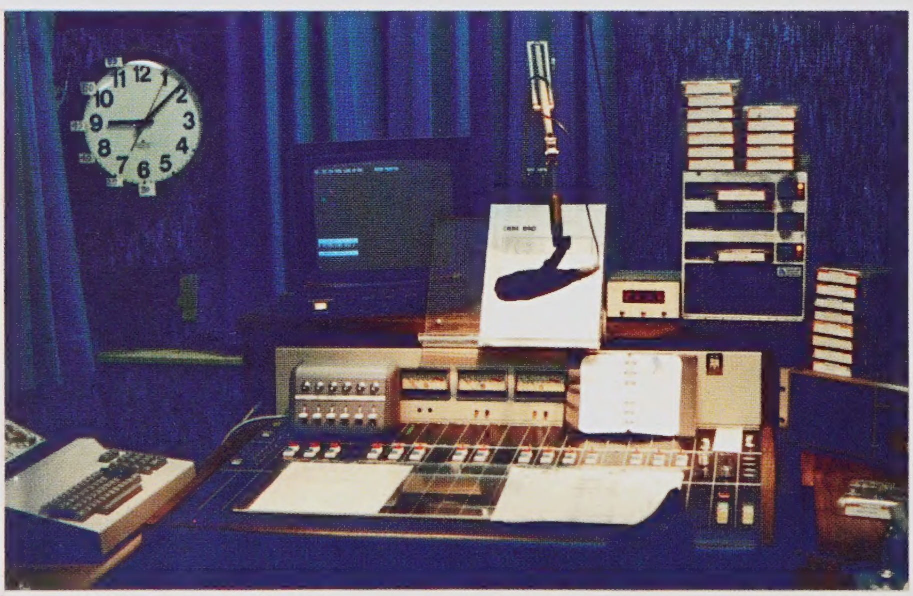
We anticipate that future development and expansion will continue to occur in the service area.

On October 29, 1976, the Company agreed to purchase, subject to approval of the Canadian Radio-television and Telecommunications Commission, all of the issued and outstanding shares of CKOY Limited, licensee of CKOY-AM and CKBY-FM serving Ottawa, Ontario, the capital city of Canada. If our application is approved, we will introduce certain changes designed to improve the service offered, but each of the stations will continue to direct its programming to the Ottawa audience presently served. In order that the stations can be responsive to the community they are licensed to serve, they will operate (as do the other stations), within certain clearly defined limits, on an autonomous basis. We will introduce the sophisticated modern studio facilities and the procedures and techniques that are now in use at our radio stations. The requisite applications have been filed with the CRTC and we expect that they will be considered at the March 1977 public hearing and that a decision will be announced by the end of June, 1977.

Vice-Presidents and General Managers of radio operations at a recent meeting

Don Hamilton (CKLG-Vancouver), Tom McBride (CKXL, CHFM-Calgary), Jerry Forbes (CHED-Edmonton), Vern Traill (CHAB-Moose Jaw), Alden Diehl (CKY-Winnipeg) with Keith James, Vice-President — Program Development and Research.

A major renovation at the CKY building in Winnipeg this past summer provides CKY-AM and FM with bright, new office quarters.



Gord Kyle and Greg Jardine win the 1976 Col. Keith Rogers Engineering Award for their design of a computer-assisted programming system.

Top — A control room view of this innovative endeavor now in use at Moffat stations in Vancouver, Calgary, Edmonton and Winnipeg.

Below — President, Ron Mitchell (left) and Gord Kyle display the awards.

Radio divisions

The operating profit of the radio divisions increased in total over the previous year.

The progress in improving ratings, sales and profits at the Calgary, Moose Jaw and Edmonton stations continued at a satisfactory rate.

The Fall 1975 survey of radio listening was based on a smaller-than-normal sample size, due to the disruption of mail service during the November postal strike. Consequently, published results were confusing, particularly in Vancouver where the audience of CKLG-AM was much smaller than normal. While the Spring 1976 report showed the CKLG-AM audience at its usual level, sales were adversely affected and the operating profit was slightly less than in the previous year. While the published survey reports showed that more people listened to CKY-AM, the average number of hours listened remained low and a small loss was sustained. We are confident that a further improvement in ratings will be achieved in the Fall 1976 audience survey. As we felt that we had not derived our share of the increase in time sales in the Winnipeg and Vancouver markets, we appointed, effective November 1, 1976, a prominent sales representative Company with a proven record of accomplishment, to solicit advertising contracts in Toronto and Montreal on behalf of these two stations.

Technical changes at CKLG-AM and CHED-AM now enable those stations to broadcast at a maximum 50,000 watts and CHFM-FM at a maximum of 100,000 watts (74,000 watts average) which improves the strength of the signal received by listeners. CKXL-AM Calgary will apply, in the immediate future, for permission to increase its power to 50,000 watts.

New and sophisticated production studios were completed in Vancouver and Moose Jaw. In Calgary, an additional production studio will be completed by the end of the calendar year, completing this phase of our plan to modernize production facilities.

Our new computer-assisted music control system received the International Trendsetter Award from Billboard magazine and the Col. Keith Rogers Engineering Award from the Canadian Association of Broadcasters. The system takes over many of the routine functions formerly performed by the on-air personality, and as well, ensures that the Program Director has complete control over all music broadcast. The system will be installed at CHAB-AM in the 1977 fiscal year.

We have expanded the system to include control of recorded commercials and plan to introduce this development to our stations over the next five years.

As indicated in our 1975 Annual Report, we had made many of the changes necessary to enable us to comply with the new FM regulations that became operative September 6, 1976. By gradually introducing the changes we have had minimal adverse reaction from listeners. We are now meeting the new regulations in a manner which we believe will enable us to hold our audience.

Your company has formed a new division which will develop and produce commercial jingles using the professional talent and recording studios available in the communities we serve.

Each of our radio stations directs its programming to a particular segment of the audience living in the licensed area. We believe we provide a high quality service responsive to the interest of the listeners in the communities we serve.

CKY-TV named "1975 TV Station Of The Year". Ron Mitchell (left) and CKY-TV Vice-President and General Manager Jim Purvis proudly display the award. Judges selected the station for its excellent programming in general but especially for two musical variety specials and a series of narrative documentaries co-produced with Winnipeg Videon Limited.

CKY-TV wins two awards at the Canadian Program Festival (Can Pro '76). CKY-TV Program Manager Jim Armstrong (left) and Production Manager Rod Webb display awards given for an episode from CKY-TV's talent show series and from its Canadian Crimes series.

(Left to Right)
Lee Jameson, Sylvia Kuzyk, Peter Young headline the one hour, Monday to Friday CKY-TV "Evening News" as it continues to grow in popularity with viewers throughout Manitoba.

Television

CKY-TV is the CTV Television Network affiliate serving Manitoba. Last year, service was extended from Winnipeg to the communities of The Pas, Flin Flon, Snow Lake and Thompson, Manitoba. Combined with the service through our 50% owned company, Relay Communications Limited in Brandon and Dauphin, we now provide service, via 625 miles of microwave transmission equipment, to 96% of the population of Manitoba. The CRTC has approved our plans to establish an additional rebroadcaster at Fisher Branch to serve Manitoba's Interlake area. We anticipate that this rebroadcaster will be providing a service by August 1, 1977.

The Canadian Association of Broadcasters presented CKY-TV with the Television Station of the Year award in recognition of its contribution to the professional creative community in Winnipeg. Two of our programs received awards at the 1976 Can Pro Program Festival.

As a result of our continuing efforts to improve our production capability, for the first time one of our productions, "Let's Go" is appearing Saturday mornings on the full CTV network in the 1976-77 season. Three specials were also telecast on the full CTV network. Other programs have been sold, on a syndicated basis, to other stations from coast to coast.

Our emphasis on quality programming continues to result in an improved rating position, despite the increased viewing of U. S. stations carried on the cable systems in Winnipeg. We have significantly increased the amount of money spent on news coverage, the result of which has been a substantial improvement in ratings. These ratings improvements have been accompanied by improved revenues and profits that are so vital to our future expansion of service and broadcast capability.

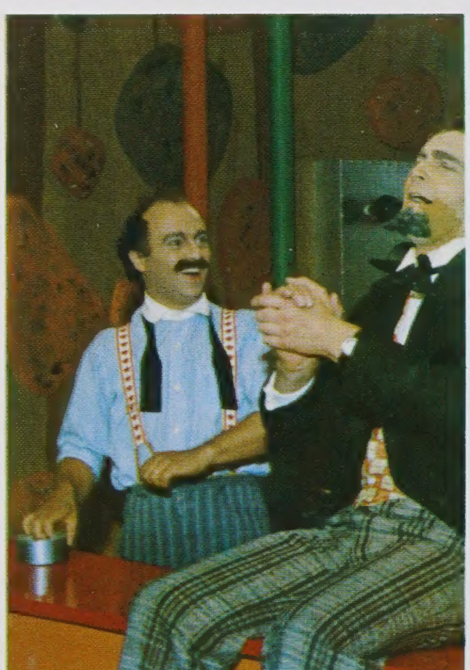
In 1976, Parliament passed a bill denying as a deduction for income tax purposes, expenditures made by sponsors on foreign stations. This restriction on foreign TV advertising is expected to divert advertising revenues to the CTV television network and accordingly, reduce our share of the operating costs of the network but will have little direct impact on the operation of CKY-TV. The CRTC has announced that plans for deletion of commercials on U.S. TV stations carried on cable have been deferred until after September 1, 1977.

The Industry continues to express concern that the right of cable subscribers to receive programs may eventually jeopardize the ability of off-air stations to provide a high quality service to viewers, particularly those who cannot afford, or are otherwise unable, to suscribe to cable systems. The CRTC has now invited applications to establish cable systems in all of the communities in the "B" contours of the TV stations established to serve Winnipeg, Brandon and Dauphin, Manitoba. In granting these licenses, we are confident that the CRTC will include provisions to protect the off-air broadcasting system.

We continue to regard as the number one priority of the television industry, the development of Canadian programming that will be viewed in preference to what else is available. Our efforts are primarily directed towards strengthening the Manitoba oriented television service we offer to our viewers.

Bill Davis, Vice-President — Finance and Treasurer of Moffat Communications, and Sid Boyling, Vice-President and General Manager, Winnipeg Videon Limited, look in on Videon's cable monitoring facility.

Videon's community access channel saw 9,934 participants make use of its new studio facilities in the 1975-76 broadcast year.



Scenes from the children's musical play "Reginald The Robot" — a Videon/CKY-TV co-production scheduled to be telecast on the CTV network Christmas Day 1976.

Videon operations

Winnipeg Videon Limited now provides service to nearly 100,000 household subscribers or about 71% of the households in the licensed area.

Applications referred to in the 1975 Annual Report to establish cable systems in four communities in Saskatchewan and in the City of Brandon, Manitoba were denied by the CRTC. While the CRTC approved the Videon applications to establish systems in Selkirk and Portage la Prairie, Manitoba, on November 10, 1976, the Honourable Madame Sauve, Minister of Communications for Canada announced that the Governor in Council had set aside these decisions, as well as the decision in Brandon, in order that the CRTC may reconsider these decisions in view of a new agreement that had been reached by the Government of Canada with the Province of Manitoba.

This new agreement appears to resolve the dispute between the two levels of government concerning the ownership of the cable distribution plant. The cable companies had argued that they should own the plant in order that they would control the use of the channels and to ensure that cable subscribers do not pay an excessive amount for the service they receive. The CRTC supported that position and included as a condition of license that the cable company must own a significant part of the plant. Under the agreement, the common carrier may own the entire cable distribution system excepting the equipment used to receive and insert the TV signals into the cable system, and any studios which the cable companies may wish to operate. The right of the Federal Government to regulate Pay TV was also confirmed.

The agreement gives priority to the use of the cable for the provision of broadcast services to the cable patrons. Any disputes with the Manitoba Telephone System over rentals to be charged for the channels used to provide broadcast oriented services to subscribers will be arbitrated by the Public Utilities Board of Manitoba.

By May 31, 1979, when the present agreement expires, Videon must negotiate with M.T.S. the amount of rental charges for future channel requirements. In this connection, M.T.S. has advised that it will purchase drops from Videon (as provided for in the present agreement) and replace amplifiers only as required to provide non-broadcast oriented services to its customers. In the future, the rental charges to Videon will be related to costs of plant construction paid for by M.T.S. Future subscriber rates, which must be approved by the CRTC, will be sufficient to recover both the investment remaining in the plant when the new agreement becomes operative and the investment incurred by the parent company in acquiring the non-Canadian investment in Videon.

The cost of all cable plant constructed between March 31, 1977 and May 31, 1979 will be paid for by M.T.S. which will charge a rental for portions of this new plant used for providing service to cable subscribers. Videon will work closely with M.T.S. because both want to ensure that the quality of service provided and rates charged to subscribers are not affected by the implementation of the new agreement.

In the decision renewing Videon's license, Videon was commended for its efforts in developing professional Canadian talent. Plans to spend additional amounts on the community channel were also encouraged. These expenditures have increased yearly as have the numbers of hours broadcast and the number of people who have used the community channel. The new studios enable better quality programming, although the keynote to community programming is still the utilization of the facilities by the public.

A microwave link between the Videon studios and the head end was established in order to broadcast "live" programs. Permission to establish a microwave system to interconnect our studios with those of the cable system serving the east side of the Red River has been applied for and this will allow programs of interest to the entire city to be broadcast simultaneously.

	1976	1975
Subscribers	95,373	85,064
Homes passed by cable	135,237	129,840
Homes in licensed area	137,805	132,531

Other divisions

During the past year, Media Tours Limited, through Marquee Promotions Limited, became more active in arranging tours from a variety of cities in Canada and the U. S. to attend the shows of the major entertainment personalities. The arrangement of educational tours through its subsidiary resulted in a large number of students, with teacher guides, visiting Europe and Cuba. Media Tours also obtained its International Air Transport Association appointment. Sales and profits showed a gratifying improvement. A 30% interest in Media Tours was sold to the Great West Life Assurance Company during the year.

EMM/CEE Productions Ltd. continued to encourage composers and authors by adding sixteen new titles to its catalogues, recording eight new selections and offering fourteen new selections to record companies. The record companies released four of the selections for sale to the public.

Phil Reimer, President of Media Tours Limited, is heavily involved in wholesale tours to Las Vegas and Barbados.

General

Our increase in broadcast revenue largely results from the sale of more commercials in off-peak periods. Our ability to sell in such time periods is naturally enhanced when ratings improve. To help our staff schedule commercials to achieve the best possible utilization of our inventory of commercial time, we have introduced a computerized traffic system in Winnipeg (radio and TV), Edmonton and Vancouver, with installation in Calgary scheduled for January 1977. While part of our future increase in sales will result from price increases, related to improved rating positions, we recognize that a significant portion of any increase will be the sale of more commercials in off-peak periods. We encourage sponsors to advertise in these periods.

The increase in cable revenue was primarily a result of the increase in the number of subscribers. The residential subscriber rate, having remained at $5.00 per month since the system began operation in 1968, is being reviewed in the light of increased costs and consideration will be given to applying to the CRTC for a rate increase during 1977.

Many of our employees have found that despite the many problems that must be solved, broadcasting can be a rewarding career. Creativity was evident not only in on-air shows and the production of programs and commercials, but also in the unique methods found to solve problems in other areas. On August 31, we employed 342 people. Salaries, wages and benefits totalled $5,840,725 in the fiscal year. The results attained could not have been achieved without the effort of our dedicated and hard-working staff in all divisions.

On behalf of the Board,

JMitchell

J. Ronald Mitchell, President.
November 22, 1976.

Consolidated statement of income and retained earnings

FOR THE YEAR ENDED AUGUST 31, 1976
(with 1975 figures for comparison)

	1976	1975
GROSS REVENUE FROM OPERATIONS	$16,971,054	$14,962,542
SHARE OF NET INCOME OF AFFILIATES (Note 1)	262,602	213,725
	17,233,656	15,176,267
EXPENSES:		
Operating	10,787,339	9,563,333
Depreciation and amortization	1,146,002	1,019,045
Interest on long-term debt (net of interest income $106,973; 1975 – $64,083)	479,037	528,558
Income taxes – current	1,944,018	1,600,249
– deferred	305,878	432,880
	14,662,274	13,144,065
INCOME BEFORE UNDERNOTED	2,571,382	2,032,202
MINORITY INTEREST IN NET INCOME OF SUBSIDIARIES (Note 1)	216,382	157,202
NET INCOME FOR THE YEAR	2,355,000	1,875,000
RETAINED EARNINGS AT BEGINNING OF THE YEAR	7,556,678	5,947,430
DIVIDENDS (Note 4)	(381,926)	(265,752)
RETAINED EARNINGS AT END OF THE YEAR	$ 9,529,752	$ 7,556,678
NET INCOME PER SHARE	$ 1.57	$ 1.25

The accompanying notes are an integral part of the financial statements.

Consolidated balance sheet

As at August 31, 1976
(with 1975 figures for comparison)

ASSETS

	1976	1975
CURRENT ASSETS:		
Cash	$ 2,046,990	$ 988,073
Accounts receivable	2,116,121	2,115,619
Prepaid expenses	334,798	215,823
Total Current Assets	4,497,909	3,319,515
INVESTMENTS:		
Affiliated companies — shares (Note 1)	436,869	345,268
— advances	150,886	117,882
Other — at cost (no quoted market value)	225,750	229,644
Total Investments	813,505	692,794
PROPERTY, PLANT AND EQUIPMENT - at cost:		
Property, plant and equipment (including land $172,535)	17,252,990	15,547,772
Less accumulated depreciation	8,280,437	7,164,283
Net property, plant and equipment	8,972,553	8,383,489
DEFERRED CHARGES (Note 1)	48,034	—
EXCESS OF COST OF SHARES OVER NET ASSETS OF SUBSIDIARIES AT DATES OF ACQUISITION (Note 1)	5,446,603	5,446,603
TOTAL	$19,778,604	$17,842,401

LIABILITIES AND SHAREHOLDERS' EQUITY

	1976	1975
CURRENT LIABILITIES:		
Accounts payable and accrued charges	$ 966,513	$ 852,248
Income taxes	565,429	877,490
Current portion of long-term debt	283,470	37,000
Unearned income	711,918	525,303
Total Current Liabilities	2,527,330	2,292,041
LONG-TERM DEBT (Note 2)	4,957,929	5,245,163
DEFERRED INCOME TAXES	1,742,866	1,436,988
MINORITY INTEREST (Note 3)	449,463	740,267
SHAREHOLDERS' EQUITY:		
Capital Stock (Note 4)	571,264	571,264
Retained Earnings	9,529,752	7,556,678
Total Shareholders' Equity	10,101,016	8,127,942
TOTAL	$19,778,604	$17,842,401

Approved by the Board:

A. Fritchett Director   Andrew L. Moffat Director

The accompanying notes are an integral part of the financial statements.

Consolidated statement of changes in financial position

FOR THE YEAR ENDED AUGUST 31, 1976
(with 1975 figures for comparison)

	1976	1975
FUNDS PROVIDED:		
Operations	$ 3,763,685	$ 3,180,137
Dividends from affiliated companies	171,000	162,000
Sale of land and equipment	29,911	96,668
Shares in and advances to subsidiaries by minority shareholders	7,372	–
Proceeds from long-term debt	–	5,000,000
Total funds provided	3,971,968	8,438,805
FUNDS APPLIED:		
Capital expenditures	1,764,107	1,980,648
Payments to minority shareholders, including amount transferred to current portion of long-term debt	514,558	177,659
Long-term debt	287,234	5,275,205
Dividends (including 15% tax)	381,926	265,752
Advances - affiliated company	33,004	16,001
Deferred charges	48,034	–
Total funds applied	3,028,863	7,715,265
INCREASE IN WORKING CAPITAL DURING THE YEAR	943,105	723,540
WORKING CAPITAL AT BEGINNING OF YEAR	1,027,474	303,934
WORKING CAPITAL AT END OF YEAR	$ 1,970,579	$ 1,027,474

The accompanying notes are an integral part of the financial statements.

Notes to the consolidated financial statements

As at August 31, 1976

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation:
The accounts of all subsidiaries are included in the consolidated statements. The subsidiaries are as follows:

Wholly-owned:
MTV Limited, Emcee Services Ltd., EMM/CEE Productions Ltd., EMM Publishing Ltd., CEE Publishing Ltd., and Manipro Ltd.

Partially-owned:
Winnipeg Videon Limited (80% — 74.5% voting), Media Tours Limited (63%) and its 70% owned subsidiary Media Study Tours Limited, and Marquee Promotions Limited (81.5%).

The excess cost of acquiring businesses over the value assigned to net tangible assets acquired is considered to have ongoing value and is carried in the accounts at cost.

Investments in shares of affiliated companies Radio Station CHED Ltd. and Sibbald Arms Ltd., both 45% owned, and Relay Communications Ltd., 50% owned, are at cost plus equity share of net income less dividends received.

(b) Depreciation and Amortization:
Plant and equipment costs, less 10% residual value, and all leasehold improvement costs are charged to income over estimated useful lives ranging from four to twenty years.

(c) Long-term lease costs are charged to expense based on the average of rental payments throughout the term of the lease. Payments made in excess of the amounts charged to expense are shown on the balance sheet as deferred charges. This account will be reduced by charges to operations in the latter years of the lease when payments will be lower than the average annual rate.

(d) Income Taxes:
Income taxes are computed on the tax allocation basis. Accordingly, the annual tax provision relates to the accounting income and comprises both taxes currently payable and taxes deferred due to timing differences between accounting and taxable income.

2. LONG-TERM DEBT

Long-term debt, excluding amounts payable to minority shareholders, comprises the following:

Term bank loan repayable in annual instalments of \$250,000 September 1977 and September 1978, \$607,000 September 1979 through 1984 and \$608,000 in September 1985	\$4,750,000	\$ —
7% mortgage, repayable in monthly instalments through November 1981	207,929	37,000
	\$4,957,929	\$37,000

The term bank loan is secured by debentures of the Company issued under a Deed of Trust and Mortgage dated November 1, 1965. Interest is at prime bank rate plus 1½% for an effective rate of 11¾% at August 31, 1976. The Company has undertaken that unless it has the bank's consent it will not dispose of its various investments, not pay dividends in any year in excess of 40% of its consolidated net income for the preceding year and not make capital expenditures in excess of prescribed limits.

3. MINORITY INTEREST

Total minority interest in subsidiaries is as follows:

Share of capital stock and retained earnings	\$449,463
6¾% notes due May 31, 1977 included in current portion of long term debt	246,470
Total minority interest	\$695,933

4. CAPITAL STOCK

Authorized share capital comprises 2,500,000 Class A common shares without par value and 2,500,000 Class B common shares without par value. Both classes of shares are inter-convertible at any time and the only difference in rights of holders of Class A and Class B shares is that the former receive ordinary cash dividends and the latter receive cash dividends paid out of tax-paid undistributed surplus in an amount equivalent to 85% of ordinary cash dividends. As at August 31, 1976 424,620 Class A and 1,075,380 Class B shares were issued and outstanding.

Dividends were paid during the year as follows:

Paid on Class A common shares (26¢ per share)	$111,175
Paid on Class B common shares (22.1¢ per share)	237,001
15% tax	33,750
	$381,926

Dividends paid during the year were within the limits established by the Anti-Inflation legislation.

Of the unissued Class A common shares, 30,000 have been reserved for allocation to employees under a stock option plan. As at August 31, 1976 options had been granted with respect to 23,000 of these shares at a price of $6.97 per share exercisable on a calendar year basis to December 31, 1979, to a maximum of 20% of the optioned shares each year plus unexercised options of the previous years. The outstanding options have no material dilutive effect on net income per share.

5. LEASE AGREEMENTS

The total lease rental payments for the year ended August 31, 1976 was $515,000 and based on existing lease commitments will approximate $618,000 in the ensuing year and $630,000 in the following four years.

6. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

The aggregate direct remuneration paid by the Company and its subsidiaries to directors and senior officers (as defined by the British Columbia Companies Act) during the year was $693,843 (1975 - $646,566). This includes remuneration of $148,201 (1975 - $149,211) to employees who are among the five highest paid but are not considered to be part of management of the company.

7. SUBSEQUENT EVENTS

In September the Canadian Radio-Television Commission granted conditional approval to an application of a subsidiary company, Winnipeg Videon Limited, to provide a cable television service to the Manitoba communities of Portage la Prairie and Selkirk. The company estimates the capital cost of providing this service to be $1,400,000.

Auditors' report

To The Shareholders of
Moffat Communications Limited:

We have examined the consolidated balance sheet of Moffat Communications Limited and subsidiary companies as at August 31, 1976 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

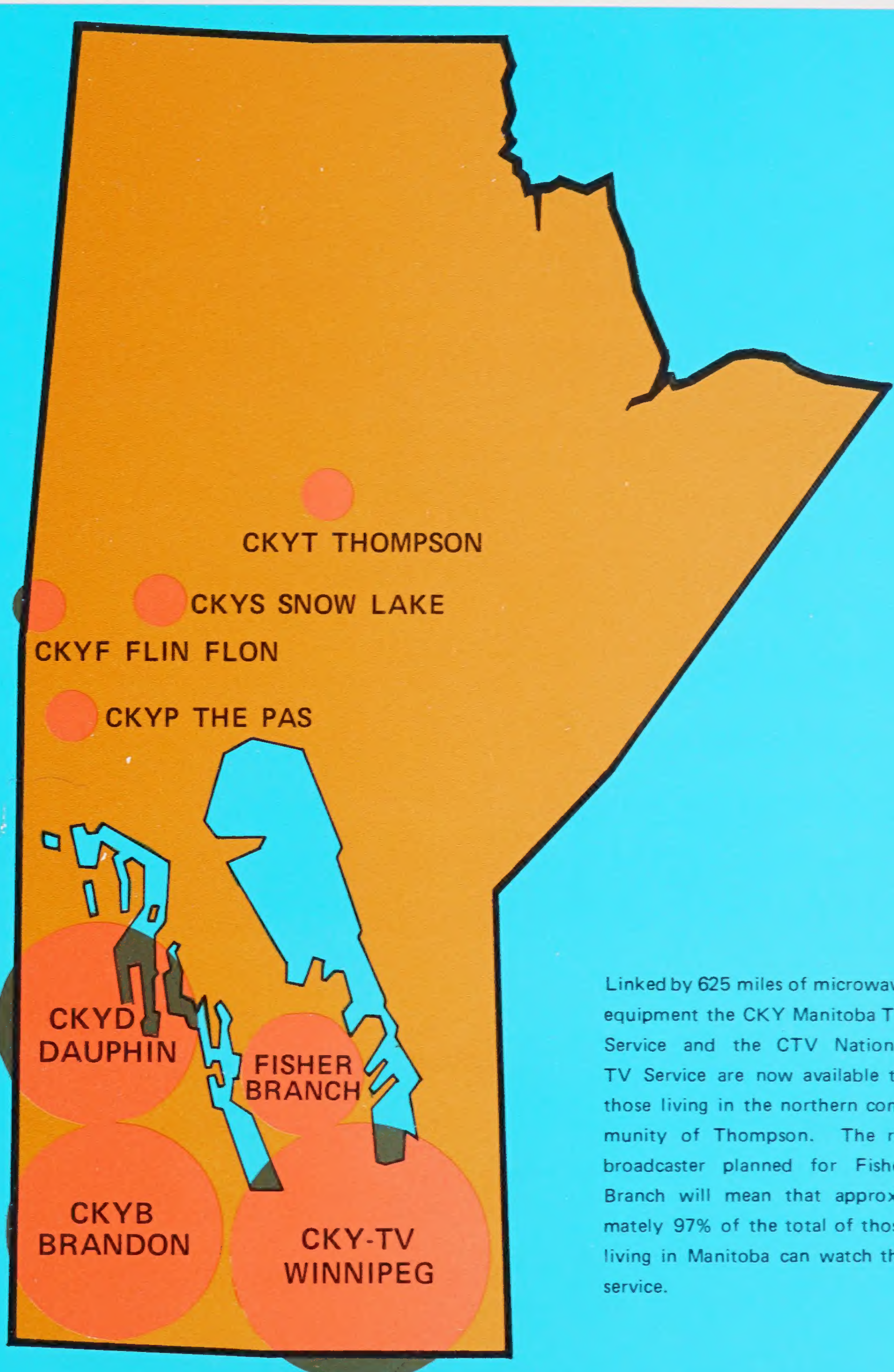
In our opinion these consolidated financial statements present fairly the financial position of the companies as at August 31, 1976 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

As required by the British Columbia Companies Act, we also report that, in our opinion, due provision has been made in these consolidated financial statements for minority interests in subsidiaries.

Winnipeg, Canada
October 15, 1976.

DELOITTE, HASKINS & SELLS
Chartered Accountants

CKY·TV manitoba television



Linked by 625 miles of microwave equipment the CKY Manitoba TV Service and the CTV National TV Service are now available to those living in the northern community of Thompson. The rebroadcaster planned for Fisher Branch will mean that approximately 97% of the total of those living in Manitoba can watch the service.

Serving 97% of the population of Manitoba

CKLG-AM, FM — Vancouver - 730/99.3
CKXL-AM, CHFM-FM — Calgary - 1140/95.9
CHAB-AM — Moose Jaw - 800
CKY-AM, FM — Winnipeg - 580/92.1
CKY-TV — Winnipeg - Channel 7
CKYP-TV — The Pas - Channel 12
CKYF-TV — Flin Flon - Channel 13
CKYT-TV — Thompson - Channel 9
CKYS-TV — Snow Lake - Channel 11
CTV Television Network Ltd. (8.3% owned)
Winnipeg Videon Limited — CATV (80% owned)
CHED-AM — Edmonton - 630 (45% owned)
Relay Communications Ltd. (50% owned)
CKYB-TV — Brandon - Channel 4
CKYD-TV — Dauphin - Channel 12
Media Tours Limited (63% owned)
Media Study Tours Limited (44.1% owned)
Marquee Promotions Limited (81.5% owned)
Emcee Services Ltd.
EMM/CEE Productions Ltd.
EMM Publishing Ltd.
CEE Publishing Ltd.
Manipro Ltd.

moffat communications limited CKY BUILDING, POLO PARK, WINNIPEG R3G 0L7

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Executive Office
CKY Building,
Polo Park, Winnipeg, R3G 0L7

moffat communications limited
interim report
SIX MONTHS ENDED FEBRUARY 29, 1976

moffat communications limited

INTERIM FINANCIAL REPORT

(Unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 1976

(with comparative figures for 1975)

	1976	1975
	(000 omitted)	
CONSOLIDATED SUMMARY OF INCOME		
Gross revenue from operations	$ 8,371	$ 7,481
Income from affiliates	116	84
	8,487	7,565
Expenses:		
Operating expenses	5,299	4,705
Depreciation and amortization	558	484
Interest on long-term debt	274	304
Income taxes	1,088	1,103
	7,219	6,596
Income before minority interest	1,268	969
Minority interest	98	69
NET INCOME	$ 1,170	$ 900
Net income per share	78.0¢	60.0¢

	1976	1975
CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION		
Funds Provided:		
Operations	$ 2,020	$ 1,796
Interest added to long-term debt	—	68
Sale of land and equipment	6	(2)
	2,026	1,862
Funds Applied:		
Long-term debt	268	467
Payments to minority shareholders	64	70
Capital expenditures	1,141	1,265
Dividends	139	133
Advances to affiliates	32	19
	1,644	1,954
Increase (Decrease) in working capital	382	(92)
Working capital — beginning of period	1,027	304
Working capital — end of period	$ 1,409	$ 212

TO THE SHAREHOLDERS:

Consolidated net income of Moffat Communications Limited and subsidiaries for the six months ended February 29, 1976 totalled $1,170,000 or 78¢ per share; an improvement over the same period in 1975 of 30%.

As scheduled, the rebroadcasting stations at The Pas and Flin Flon, Manitoba made the CKY-TV Winnipeg service available to residents in that area. We anticipate no difficulty in making the service available to residents at Snow Lake and Thompson, Manitoba on target, which is May 1, 1976. At that time, we will be providing alternative television viewing service to approximately 97% of the population of Manitoba. CKY-TV programs won two second place awards in the 1976 CanPro competition. The situation with respect to commercial deletion in Winnipeg remains unchanged: no commercials on non-Canadian TV stations carried on the cable systems are being deleted.

At a Public Hearing commencing May 3, 1976, the Canadian Radio-television and Telecommunications Commission (CRTC) will consider applications for the renewal of broadcast licenses for CKY-AM, FM, TV (including TV rebroadcasters), CHFM-FM, Calgary and for Videon, as well as applications by Videon for permission to establish CATV systems to service the communities of Portage La Prairie, Selkirk and Brandon. At this Hearing, the CRTC will consider whether or not the introduction of a signal by Manitoba Telephone System (a Manitoba Crown Corporation) into the Winnipeg cable systems without CRTC approval having been obtained, constitutes contravention of the Broadcast Act. This is but another skirmish in the continuing dispute between, on the one hand, the Federal Government, and on the other, certain Provincial Governments with respect to control and regulation of the cable television industry. Videon now provides cable service to approximately 94,000 household subscribers in Winnipeg.

Your Directors declared a dividend of 8¢ per Class A Share and 6.8¢ (tax paid) per Class B Share payable May 31, 1976 to shareholders of record April 30, 1976.

Yours sincerely,

J. Ronald Mitchell,
President.

Winnipeg, Canada
April 13, 1976.